

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Grand Blanc Fire Commission	County Genesee
Audit Date December 31, 2004	Opinion Date March 10, 2005	Date Accountant Report Submitted to State: May 2, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, PC CPAs			
Street Address 4468 Oak Bridge Drive	City Flint	State MI	ZIP 48532
Accountant Signature 			

**GRAND BLANC FIRE
COMMISSION**

Grand Blanc, Michigan

**Annual Financial Statements
and Auditors' Report**

December 31, 2004

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GRAND BLANC FIRE COMMISSION
Members of the Board of Commissioners and Administration
December 31, 2004

Board of Commissioners

D. Keith Baldwin

Chairperson

Dennis D. Christman

Vice-Chairperson

Paul D. Bush

Treasurer

Patricia J. Rockafellow

Secretary

Peter L. Venos

Trustee

Administration

James B. Harmes

Fire Chief

Richard B. Ferriby

Deputy Chief

Alexis Davlantes

Office Manager



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Independent Auditors' Report

Board of Directors
Grand Blanc Fire Commission

We have audited the accompanying financial statements of the of the governmental activities, each major fund and the aggregate remaining fund information of Grand Blanc Fire Commission as of December 31, 2004, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Grand Blanc Fire Commission at December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Commission has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments*, as of January 1, 2004.

The management's discussion and analysis and budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Yeo & Yeo, P.C.

Flint, Michigan
March 10, 2005

Management's Discussion and Analysis

Within this section of the Grand Blanc Fire Commission's annual financial report, the Commission's management is providing a narrative discussion and analysis of the financial activities of the Commission for the fiscal year that has ended on December 31, 2004. Since this is the first year, a comparative analysis of government-wide data will not be done in this report but will be provided in future years. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Commission's basic financial statements. The basic financial statements include the following: 1) government-wide financial statements, 2) fund financial information, 3) notes to the financial statements. The Commission also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide the reader a broad overview of the Commission's finances. Although this is a government entity, the manner in which they are presented is similar to a private-sector business.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reports as *net assets*. As the Commission continues to operate, increases and decreases in net assets will occur and may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* demonstrates information on how the Commission's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Commission's distinct activities or functions on the revenues generated by the Commission.

Both government-wide financial statements distinguish governmental activities of the Commission that are intended to recover all or a significant portion of their costs through contributions, user fees, and charges. The Commission's financial reporting includes all the funds that the Commission is accountable.

Fund Financial Statements

A fund is an accountable unit used to maintain control over resources segregated for specific activities or objectives. The Commission uses funds to ensure and demonstrate compliance with finance-related laws and regulation.

Management's Discussion and Analysis

The Commission has three kinds of funds, a governmental fund, a proprietary fund and a fiduciary fund. *Governmental funds* are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets. The proprietary fund is used to record the activities of the emergency vehicle fund – internal service fund, on the accrual basis of accounting. The fiduciary fund statements provide financial information about activities for which the Commission acts solely as an agent for the benefit of those outside the government.

Notes to the Financial Statement

The accompanying notes to the Financial Statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

This report includes Statement of Net Assets for the Internal Service Fund. Along with the Assets, this statement includes all liabilities both current and non-current of the Commission.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers and payments within the reporting entity.

Financial Analysis of the Commission as a Whole

The Commission has implemented the new financial reporting model used in this report beginning with the current fiscal year that has ended on December 31, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Commission as a whole.

The Commission's net assets at the end of the fiscal year 2004 were \$ 1,574,925. This is a \$ 4,860 decrease over the 2003 fiscal year that ended at \$ 1,579,785.

Management's Discussion and Analysis

The following tables provide a summary of the Commission's financial activities in the net assets:

Summary of Net Assets

	2004
Assets	
Current assets	\$ 591,121
Capital assets	1,573,611
Total assets	<u>2,164,732</u>
Liabilities	
Current liabilities	212,136
Long-term liabilities	<u>377,671</u>
Total liabilities	<u>589,807</u>
Net Assets	
Invested in capital asset, net of related debt	1,053,556
Unrestricted	<u>521,369</u>
Total net assets	<u><u>\$ 1,574,925</u></u>

Management's Discussion and Analysis

Summary of Changes in Net Assets

Revenue

General revenue	2004
Interest and investment earnings	\$ 7,549
Other general revenue	5,617
Total general revenue	<u>13,166</u>
Program revenue	
Charges for services	5,880
Operating grants and contributions	538,965
Capital grants and contributions	160,280
Total revenue	<u>705,125</u>

Expenses

Fire protection	696,301
Interest on long-term debt	26,850
Total expenses	<u>723,151</u>

Change in net assets	(4,860)
Beginning net assets	<u>1,579,785</u>
Ending net assets	<u>\$ 1,574,925</u>

Management's Discussion and Analysis

Financial Analysis of the Commission's Funds

The Commission receives its funds from the City of Grand Blanc and the Charter Township of Grand Blanc at a rate of 25% and 75%, that is the City portion is 25% and the Township portion being 75%. These figures are used in both the emergency vehicle fund and the general fund.

The Commission purchased a total of \$ 432,170 of new equipment for the fiscal year of 2004. Included in this amount is \$ 411,532 for two new vehicles. The largest purchased being a 2004 Pierce Engine #21 at a cost of \$ 369,475.

General Fund Budgetary Highlights

The budget was originally adopted by the Commission and then approved by the Charter Township of Grand Blanc and then by the City of Grand Blanc. The Budget goes before the Township first because their Fiscal year is the same as ours, then it is passed in front of the City before June 1. The budget did not need to be amended throughout the year.

Capital Asset and Debt Administration

The Commission started the Fiscal year with a beginning debt balance of \$ 278,900, of that \$ 260,000 is attributed to the aerial platform purchased in 2001. The rest of the debt is for compensated absences, which is \$ 18,900. The reduction of the beginning debt balance was \$ 21,411 for the fiscal year 2004.

In the fiscal year 2004, the Commission added to the debt by the lease of a 2004 Pierce Pumper at a cost of \$ 369,475 and contributed one payment of \$ 121,019 which lowered the debt to \$ 248,456. Also, the Commission purchased a Chevrolet Tahoe at \$ 37,919 and is obligated to monthly payments of \$ 632. The amount due for fiscal year 2005 will be \$ 159,873 for these three vehicles.

The Commission did dispose of the 1979 Chevrolet Bruin/Pierce pumper-tanker in 2004 for the sum of \$ 10,000. This amount was placed in the Vehicle Fund for future purchases.

Other Capital Purchases made in 2004 were new pagers for the Fire Fighters at a cost of \$ 13,013, a new power unit for the Hurst Rescue Tool at a cost of \$ 4,425 and building improvements of \$ 3,200.

Management's Discussion and Analysis

Economic Conditions and Future Activities

Future operations of the Grand Blanc Fire Department will remain funded by the City of Grand Blanc and the Charter Township of Grand Blanc at its current rate. The amount will continue to grow due to the increase in the tax base of both governments.

Contacting the Commission's Financial Management

This report was designed to provide a general overview of the Commission's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information, please contact the Grand Blanc Fire Department/Commission at 117 High Street, Grand Blanc, MI 48439.

Grand Blanc Fire Commission
Statement of Net Assets
December 31, 2004

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 557,436
Due from other governmental units	33,685
Total current assets	<u>591,121</u>
Noncurrent assets	
Capital assets	
Buildings improvements	3,200
Office furniture & equipment	24,747
Radios	72,113
Emergency vehicles	2,148,961
Rescue equipment	206,002
Tools	269,655
Less: accumulated depreciation	<u>(1,151,067)</u>
Total noncurrent assets	<u>1,573,611</u>
Total assets	<u>2,164,732</u>
Liabilities	
Current liabilities	
Accounts payable	13,896
Accrued payroll	30,119
Current portion of long-term debt	159,873
Accrued interest	<u>8,248</u>
Total current liabilities	212,136
Noncurrent liabilities	
Compensated absences payable	17,489
Long-term portion of notes payable	<u>360,182</u>
Total long-term liabilities	377,671
Total liabilities	<u>589,807</u>
Net Assets	
Invested in capital assets, net of related debt	1,053,556
Unrestricted	<u>521,369</u>
Total net assets	<u><u>\$ 1,574,925</u></u>

See Accompanying Notes to Financial Statements

Grand Blanc Fire Commission
Statement of Activities
Year Ended December 31, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Fire Protection	\$ 696,301	\$ 5,880	\$ 538,965	\$ 160,280	\$ 8,824
Interest on long-term debt	26,850				(26,850)
Totals	<u>\$ 723,151</u>	<u>\$ 5,880</u>	<u>\$ 538,965</u>	<u>\$ 160,280</u>	(18,026)
General revenues					
Interest and investment earnings					7,549
Gain on sale of asset					5,023
Other					594
Total general revenues					<u>13,166</u>
Change in net assets					(4,860)
Net assets - beginning					<u>1,579,785</u>
Net assets - ending					<u>\$ 1,574,925</u>

See Accompanying Notes to Financial Statements

Grand Blanc Fire Commission
Balance Sheet - Governmental Funds
December 31, 2004

	General Fund
Assets	
Cash	\$ 152,048
Due from other governmental units	<u>33,685</u>
Total assets	<u><u>185,733</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	13,257
Due to emergency vehicle fund	9,000
Accrued payroll	<u>30,119</u>
Total liabilities	52,376
Fund Balance	
Other undesignated	<u>133,357</u>
Total fund balance	<u>133,357</u>
Total liabilities and fund balance	<u><u>\$ 185,733</u></u>

See Accompanying Notes to Financial Statements

Grand Blanc Fire Commission
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
December 31, 2004

Total fund balances for governmental funds \$ 133,357

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Those assets consist of:

Building improvements	\$ 3,200	
Office furniture & equipment	24,747	
Radios	72,113	
Rescue equipment	206,002	
Tools	269,655	
Less: accumulated depreciation	<u>(360,633)</u>	
		215,084

Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances as of June 30, 2004 are as follows:

Compensated absences payable	(17,489)
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Net assets of the Emergency Vehicle Fund are included in the governmental activities	<u>1,243,973</u>
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Net assets of governmental activities	<u>\$ 1,574,925</u>
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Grand Blanc Fire Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2004

	<u>General Fund</u>
Revenues	
Member contributions:	
City of Grand Blanc	\$ 134,739
Charter Township of Grand Blanc	404,226
Interest earnings	1,398
Other income	<u>6,474</u>
Total revenues	546,837
Expenditures	
Salaries and fringe benefits	177,117
Part-time salaries and fringe benefits	203,592
Uniforms	3,688
Operating supplies	9,858
Building maintenance	6,730
Radio maintenance	1,186
Utilities	21,445
Conferences and workshops	8,941
Insurance	18,074
Workers' compensation	8,279
Accounting and auditing	5,225
Memberships and dues	2,696
Office supplies and postage	1,853
Contracted services	5,288
Equipment repair and replacement	5,419
Other capital outlay	18,792
Telephone	5,090
Physicals	4,320
Janitorial services	<u>7,465</u>
Total expenditures	<u>515,058</u>
Excess of revenues over expenditures	31,779
Fund balance - beginning	<u>101,578</u>
Fund balance - ending	<u><u>\$ 133,357</u></u>

See Accompanying Notes to Financial Statements

Grand Blanc Fire Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2004

Net change in fund balances - total governmental funds	\$	31,779
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	\$	(51,182)
Capital outlay		<u>20,638</u>
		(30,544)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences payable		1,411
Emergency Vehicle Funds are included as governmental activities		<u>(7,506)</u>
Change in net assets of governmental activities	\$	<u>(4,860)</u>

Grand Blanc Fire Commission
Statement of Net Assets
Internal Service Fund
December 31, 2004

	Emergency Vehicle Fund
Assets	
Current assets	
Cash	\$ 405,388
Due from general fund	9,000
Total current assets	<u>414,388</u>
Noncurrent assets	
Capital assets	
Emergency vehicles	2,148,961
Less: accumulated depreciation	<u>(790,434)</u>
Total noncurrent assets	<u>1,358,527</u>
Total assets	<u>1,772,915</u>
Liabilities	
Current liabilities	
Accounts payable	639
Current portion of notes payable	159,873
Accrued interest on notes payable	<u>8,248</u>
Total current liabilities	<u>168,760</u>
Noncurrent liabilities	
Notes payable - long-term portion	<u>360,182</u>
Total noncurrent liabilities	<u>360,182</u>
Total liabilities	<u>528,942</u>
Net Assets	
Invested in capital assets, net of related debt	830,224
Unrestricted	<u>413,749</u>
Total net assets	<u><u>\$ 1,243,973</u></u>

See Accompanying Notes to Financial Statements

Grand Blanc Fire Commission
Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Fund
Years Ended December 31, 2004

	Emergency Vehicle Fund
Operating revenues	
City of Grand Blanc	\$ 40,070
Charter Township of Grand Blanc	120,210
Total operating revenue	<u>160,280</u>
Operating expenses	
Gas, oil, and grease	8,058
Truck repair and maintenace	20,251
Equipment maintenance	940
Insurance on rolling stock	15,409
Depreciation	107,441
Service charge	11
Total operating expenses	<u>152,110</u>
Operating income	<u>8,170</u>
Nonoperating revenues and expenses	
Interest income	6,151
Interest expense	(26,850)
Gain on sale of asset	5,023
Total nonoperating revenues and expenses	<u>(15,676)</u>
Net assets	
Decrease in net assets	(7,506)
Total net assets, beginning of year	<u>1,251,479</u>
Total net assets, end of year	<u><u>\$ 1,243,973</u></u>

See Accompanying Notes to Financial Statements

Grand Blanc Fire Commission
Internal Service Fund
Statements of Cash Flows
Year Ended December 31, 2004

	Emergency Vehicle Fund
Cash Flows From Operating Activities	
Other receipts	\$ 160,280
Payments to suppliers	(44,379)
Net cash provided (used) by operating activities	115,901
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(411,531)
Proceeds from borrowing	407,393
Proceeds from sale of asset	10,000
Interest payments on debt	(21,846)
Payments on long-term debt	(147,339)
Net cash provided (used) by capital and related financing activities	(163,323)
Net Cash Flows from Investing Activities	
Interest income	6,151
Net cash provided (used) by investing activities	6,151
Net decrease in cash and cash equivalents	(41,271)
Cash and cash equivalents at beginning of year	446,659
Cash and cash equivalents at end of year	\$ 405,388
Reconciliation of Operating Income to Net cash Provided by Operating Activities	
Operating income	\$ 8,170
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	107,441
Change in liabilities	
Accounts payable	290
Net cash provided by operating activities	\$ 115,901

See Accompanying Notes to Financial Statements

Grand Blanc Fire Commission
Statement of Fiduciary Net Assets
December 31, 2004

	Agency Funds
Assets	
Cash and cash equivalents	<u>\$ 5,021</u>
Liabilities	
Accounts payable	<u>\$ 5,021</u>

Grand Blanc Fire Commission
Notes to Financial Statements
December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Grand Blanc Fire Commission (the Commission) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Commission's significant accounting policies:

Reporting Entity

The Grand Blanc Fire Commission is a joint venture of the City of Grand Blanc and the Charter Township of Grand Blanc, formed by a contractual agreement between the two communities in accordance with Michigan Public Act 33 of 1951. The Commission provides fire protection for both communities and the expenses are shared 75 percent by the Charter Township of Grand Blanc and 25 percent by the City of Grand Blanc. The Commission was legally established on September 13, 1989, and began operations January 1, 1990. The Commission is comprised of five members, as follows: Two appointed by the City Council (one of which will be a council member), two appointed by the Township Board (one of which will be a board member) and one selected by the members of the Fire Department (from among its membership). The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Commission's reporting entity, and which organizations are legally separate component units of the Commission. The Commission has no component units.

Government-wide Financial Statements

The Commission's basic financial statements include both government-wide (reporting for the government as a whole) and fund financial statements (reporting the Commission's major funds). The government-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Commission's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Commission's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Grand Blanc Fire Commission
Notes to Financial Statements
December 31, 2004

The statement of activities reports both the gross and net cost of each of the Commission's functions. The functions are also supported by general government revenues (intergovernmental revenues, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Commission does not allocate indirect costs. In creating the government-wide financial statements the Commission has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Commission as an entity and the change in the Commission's net assets resulting from current year activities

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The accrual basis of accounting is used by the Internal Service Fund. The General Fund utilizes the modified-accrual basis of accounting. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Other revenue is recorded when received.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The Commission reports the following major governmental fund:

General Fund – The General Fund contains the records of the general operating activities of the Commission. General Fund activities are financed by contributions from the member communities.

Additionally, the Commission reports the following fund types:

Emergency Vehicle Fund (internal service fund type) – The Emergency Vehicle Fund is used to account for the financing of emergency vehicles provided to the General Fund of the Commission. Emergency Vehicle Fund activities are financed by charges to the member communities.

Grand Blanc Fire Commission
Notes to Financial Statements
December 31, 2004

Agency Fund (fiduciary fund type) – Agency Fund is used to account for assets held by the Commission as an agent for private organizations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Assets, Liabilities and Equity

Deposits and Investments - The Commission considers all highly liquid investments with an original maturity of three months or less when purchased, to be cash equivalents. Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at varying amounts which reasonably estimates fair value.

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them back into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Commission defines capital assets as assets with an initial individual cost in excess of \$ 2,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Commission does not have infrastructure assets. Buildings improvements, furniture and equipment, tools, and emergency vehicles are depreciated using the straight-line method over the following useful lives:

Building improvements	15-20 years
Office furniture & equipment	5-20 years
Radios	7-25 years
Emergency vehicles	5-20 years
Rescue equipment	7-15 years
Tools	7-20 years

Grand Blanc Fire Commission
Notes to Financial Statements
December 31, 2004

Long-term Obligations – In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Economic Dependency

The Commission receives approximately 75% of their general fund revenue from the Charter Township of Grand Blanc. Due to the significance of this revenue source, the Commission is considered to be economically dependent on the Charter Township of Grand Blanc.

Accounting Change

Effective January 1, 2004, the Commission implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. Changes to the financial statements as a result of GASB No. 34 are as follows:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations has been included.

Grand Blanc Fire Commission
Notes to Financial Statements
December 31, 2004

Government-wide financial statements prepared using full accrual accounting for all of the Commission's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$ 555,079, net of accumulated depreciation of \$ 360,633, previously reported in the General Fixed Assets Account Group. Capital assets at January 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted by \$ 74,833 to reflect the historical cost of the Commission's capital assets at that date for those assets in excess of the \$ 2,500 threshold for asset-capitalization. In addition, the governmental activities column includes long-term obligations totaling \$ 17,489 previously reported in the General Long-term Debt Account Group.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis.

Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes authorize the Commission to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptance of U.S. banks, and mutual funds comprised of the above authorized depositories: Bank One, Republic Bank, Standard Federal, Fifth Third Bank, and Citizens Bank.

Grand Blanc Fire Commission
Notes to Financial Statements
December 31, 2004

The Fire Commission's deposits at year end consist of checking accounts, savings accounts, and certificates of deposits. The aggregate cash and cash equivalents were reported in the financial statements in the following categories at December 31, 2004:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	\$ 557,436	\$ 5,021	\$ 562,457

The deposits of the Commission were reflected in the accounts of financial institutions at \$ 565,811, of which \$ 200,000 is covered by federal depository insurance. The remaining balance is uninsured and uncollateralized.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the Commission for the year ended December 31, 2004 is as follows:

	Balance December 31, 2003	Additions	Disposal and Adjustments	Balance December 31, 2004
Building improvements		\$ 3,200		\$ 3,200
Office furniture and equipment	\$ 24,747			24,747
Radios	59,100	13,013		72,113
Emergency vehicles	1,795,691	411,532	\$ 58,262	2,148,961
Rescue equipment	201,577	4,425		206,002
Tools	269,655			269,655
Subtotal	2,350,770	432,170	58,262	2,724,678
Less accumulated depreciation	(1,045,729)	(158,623)	(53,285)	(1,151,067)
Total	\$ 1,305,041	\$ 273,547	\$ 4,977	\$ 1,573,611

Depreciation expense for the year ended December 31, 2004 was \$ 158,623.

Grand Blanc Fire Commission
Notes to Financial Statements
December 31, 2004

NOTE 5 - COMPENSATED ABSENCES

Long-term debt of the Fire Commission consisted solely of accumulated employee absences at December 31, 2004. This represents the estimated liability payable to employees upon termination under the Commission's sick and vacation pay policy, net of the portion that will be paid currently. Under the Commission's policy, employees can earn sick and vacation time based on time of service with the Commission.

NOTE 6 - LONG-TERM DEBT

The Commission issues notes, and other contractual commitments to provide for the acquisition of certain equipment. Other long-term obligations include compensated absences. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Aerial platform truck	\$ 260,000		\$ 20,000	\$ 240,000	\$ 30,000
Pumper truck lease purchase	-	\$ 369,475	121,019	248,456	122,289
2004 Tahoe installment loan		37,919	6,320	31,599	7,584
Compensated absences	18,900		1,411	17,489	
	<u>\$ 278,900</u>	<u>\$ 407,394</u>	<u>\$ 148,750</u>	<u>\$ 537,544</u>	<u>\$ 159,873</u>

The City of Grand Blanc in conjunction with the Township of Grand Blanc entered into an installment contract to purchase an aerial platform truck on behalf of the Fire Commission. The contract was initiated in accordance with the provisions of Act No. 99, Public Acts of Michigan 1933. By agreement of the parties, these obligations have been assigned to the Fire Commission. The principal amount of the installment contract is \$ 300,000 payable over ten years. The contract bears interest at 4.99%, payable semi-annually in April and October. Annual principal payments began April 2003 and extend through April 2011. The contract is secured by the aerial platform truck. The annual requirement to pay principal and interest on this obligation at December 31, 2004 is summarized as follows:

Grand Blanc Fire Commission
Notes to Financial Statements
December 31, 2004

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 30,000	\$ 11,228	\$ 41,228
2006	30,000	9,731	39,731
2007	30,000	8,234	38,234
2008	30,000	6,736	36,736
2009	40,000	4,990	44,990
2010 - 2011	<u>80,000</u>	<u>3,992</u>	<u>83,992</u>
Total debt payments	<u>\$ 240,000</u>	<u>\$ 44,911</u>	<u>\$ 284,911</u>

During 2003, the Commission entered into a lease purchase agreement for the acquisition of a pumper truck for a total purchase price of \$ 369,475. The Commission took possession of the pumper truck during 2004. The lease bears a rate of 3.1%, payable in annual installments beginning May 2004. The annual requirement to pay principal and interest on this obligation is summarized as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 122,289	\$ 7,881	\$ 130,170
2006	<u>126,167</u>	<u>4,002</u>	<u>130,169</u>
Total debt payments	<u>\$ 248,456</u>	<u>\$ 11,883</u>	<u>\$ 260,339</u>

Grand Blanc Fire Commission
Notes to Financial Statements
December 31, 2004

During 2004, the Commission entered into an installment loan agreement for the purchase of a 2004 Tahoe for a total purchase price of \$ 37,919. The note bears a 0% interest rate and is due in monthly installments of \$ 631.98. The annual requirement to pay the principal balance of the agreement is as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 7,584		\$ 7,584
2006	7,584		7,584
2007	7,584		7,584
2008	7,583		7,583
2009	1,264		1,264
	<hr/>	<hr/>	<hr/>
Total debt payments	<u>\$ 31,599</u>	<u>\$ -</u>	<u>\$ 31,599</u>

NOTE 7 - DEFERRED COMPENSATION

The Fire Commission offers its employees a deferred compensation plan created in accordance with IRC Section 457A. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The Fire Commission contributes \$ 80 annually for each participant plus \$ 2 per fire run. Total employer contributions for the year ended December 31, 2004 were \$ 11,418.

All amounts of compensation deferred under the Section 457A Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the sole benefit of the employees. The assets are not subject to the claims of the employer's general creditors.

Participants' rights created under the plan are limited to the fair market value of the deferred account maintained with respect to each participant.

Grand Blanc Fire Commission
Notes to Financial Statements
December 31, 2004

NOTE 8 - PENSION PLAN

Plan Description

The Fire Commission is the plan sponsor for a defined contribution retirement plan which provides retirement benefits for all full-time permanent employees. The plan is administered by the International City Management Association Retirement Corporation (ICMARC).

Funding Policy

Participants vest at service inception and are entitled to one hundred percent of vested contributions. The plan is a money purchase plan qualified under Section 401 of the Internal Revenue Code.

Annual Pension Cost

Contributions during 2004 were 15% of the permanent full-time employees base salaries of \$ 115,057 and totaled \$ 17,259.

NOTE 9 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to property loss, torts, errors, and omissions, and employee injuries. The Commission has purchased insurance for these claims. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Grand Blanc Fire Commission
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2004

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Member contributions:				
City of Grand Blanc	\$ 134,739	\$ 134,739	\$ 134,739	\$ -
Charter Township of Grand Blanc	404,219	404,219	404,226	7
Interest earnings			1,398	1,398
Other income			6,474	6,474
Total revenues and other sources	538,958	538,958	546,837	7,879
Expenditures				
Salaries and fringe benefits	173,331	173,331	177,117	3,786
Part-time salaries and fringe benefits	197,500	197,500	203,592	6,092
Uniforms	4,000	4,000	3,688	(312)
Operating supplies	7,200	7,200	9,858	2,658
Building maintenance			6,730	6,730
Radio maintenance	1,500	1,500	1,186	(314)
Utilities	23,450	23,450	21,445	(2,005)
Conferences and workshops	23,000	23,000	8,941	(14,059)
Insurance	14,500	14,500	18,074	3,574
Workers' compensation	14,337	14,337	8,279	(6,058)
Accounting and auditing	3,500	3,500	5,225	1,725
Memberships and dues	3,500	3,500	2,696	(804)
Office supplies and postage	4,250	4,250	1,853	(2,397)
Contracted services	5,500	5,500	5,288	(212)
Equipment repair and replacement	19,000	19,000	5,419	(13,581)
Other capital outlay	18,590	18,590	18,792	202
Telephone	7,500	7,500	5,090	(2,410)
Physicals	4,000	4,000	4,320	320
Janitorial services	4,800	4,800	7,465	2,665
Miscellaneous	500	500		(500)
Total expenditures	529,958	529,958	515,058	(14,900)
Other Uses - transfers to other funds	9,000	9,000		(9,000)
Total expenditures and other uses	538,958	538,958	515,058	(23,900)
Net change in fund balance	-	-	31,779	31,779
Fund balance - beginning	101,578	101,578	101,578	-
Fund balance - ending	\$ 101,578	\$ 101,578	\$ 133,357	\$ 31,779



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March 10, 2005

To the Board of Commissioners
Grand Blanc Fire Commission

We have audited the financial statements of Grand Blanc Fire Commission for the year ended December 31, 2004 and have issued our report thereon dated March 10, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 13, 2005 our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Grand Blanc Fire Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Grand Blanc Fire Commission are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies related to the presentation of its financial statements by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* in the 2004 fiscal year. We noted no transactions entered into by Grand Blanc Fire Commission during the 2004 fiscal year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Audit Adjustment

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Grand Blanc Fire Commission's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Grand Blanc Fire Commission, either individually or in the aggregate, indicate matters that could have a significant effect on the Grand Blanc Fire Commission's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting,



or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountant

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditor

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Grand Blanc Fire Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

During our audit inquiries it was noted that the check signer does not review the supporting documentation at the time the checks are signed. We recommend that the check signer review the supporting documentation and initial the same.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of Board of Commissioners and management of Grand Blanc Fire Commission and is not intended to be and should not be used by anyone other than these specified parties. We would like to thank Chief Jim Harnes and his staff for their assistance during the audit.

Very truly yours,

Yeo & Yeo, PC
CPAs and Business Consultants

By 
Michael J. Frawley, CPA